

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
HAWAII ELECTRIC LIGHT COMPANY, INC.)  
MAUI ELECTRIC COMPANY, LIMITED )  
)  
For Approval of Recovery of 2000 )  
IRP Planning Costs Through Each )  
Company's IRP Cost Recovery )  
Provision )  
\_\_\_\_\_ )  
)

Docket No. 99-0338

In the Matter of the Application of)  
)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
HAWAII ELECTRIC LIGHT COMPANY, INC.)  
MAUI ELECTRIC COMPANY, LIMITED )  
)  
For Approval of Recovery of 2001 )  
IRP Planning Costs Through Each )  
Company's IRP Cost Recovery )  
Provision )  
\_\_\_\_\_ )  
)

Docket No. 00-0360

(Consolidated)

DECISION AND ORDER

RECEIVED

2008 OCT 20 A 8:01

DIV. OF CONSUMER ADVOCACY  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
STATE OF HAWAII

PUBLIC UTILITIES  
COMMISSION

2008 OCT 17 A 11:01

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
HAWAII ELECTRIC LIGHT COMPANY, INC.)  
MAUI ELECTRIC COMPANY, LIMITED )  
For Approval of Recovery of 2000 )  
IRP Planning Costs Through Each )  
Company's IRP Cost Recovery )  
Provision )

---

Docket No. 99-0338

In the Matter of the Application of)  
HAWAIIAN ELECTRIC COMPANY, INC. )  
HAWAII ELECTRIC LIGHT COMPANY, INC.)  
MAUI ELECTRIC COMPANY, LIMITED )  
For Approval of Recovery of 2001 )  
IRP Planning Costs Through Each )  
Company's IRP Cost Recovery )  
Provision )

---

Docket No. 00-0360

(Consolidated)

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO") and MAUI ELECTRIC COMPANY, LIMITED's ("MECO") (collectively, "Applicants") recovery of their 2000 and 2001 integrated resource plan ("IRP") planning costs, to the extent described herein.

I.

Background

A.

Applications

On October 1, 1999, Applicants filed an Application for Approval of Recovery of 2000 IRP Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 2000 IRP planning costs and the subsequent recovery of those costs. Applicants requested approval of: (1) HECO's annual, incremental 2000 IRP budget, estimated to be \$310,989 and subsequent recovery of its 2000 IRP planning costs actually spent in 2000; (2) HELCO's annual, incremental 2000 IRP budget, estimated to be \$351,384, and subsequent recovery of its 2000 IRP planning costs actually spent in 2000; and (3) MECO's annual, incremental 2000 IRP budget, estimated to be \$511,691, and subsequent recovery of its 2000 IRP planning costs actually spent in 2000.

On October 2, 2000, Applicants filed an Application for Approval of Recovery of 2001 IRP Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 2001 IRP planning costs and the subsequent recovery of those costs. Specifically, Applicants requested approval of: (1) HECO's annual, incremental 2001 IRP budget, estimated to be \$248,413 and subsequent recovery of its 2001 IRP planning costs actually spent in 2001; (2) HELCO's annual, incremental 2001 IRP budget, estimated to be \$302,822, and subsequent recovery of its 2001 IRP planning costs

actually spent in 2001; and (3) MECO's annual, incremental 2001 IRP budget, estimated to be \$293,705, and subsequent recovery of its 2001 IRP planning costs actually spent in 2001.

B.

Applicants' IRP Planning Expenditures

1.

2000 IRP Planning Expenditures

On March 29, 2001, Applicants filed an accounting of their recorded 2000 IRP planning costs in which HECO reported 2000 IRP expenditures of \$97,125 (\$213,864 less than the \$310,989 amount budgeted, as stated in the application). HELCO reported \$97,167 in 2000 IRP expenditures (\$254,217 less than the \$351,384 amount budgeted, as stated in the application) and MECO reported \$345,087 in 2000 IRP expenditures (\$166,604 less than the \$511,691 amount budgeted, as stated in the application).

In Applicants' responses to the Consumer Advocate's information requests, filed August 10, 2001, HELCO stated that it would reduce the amount it was seeking for cost recovery by \$33, and MECO stated that it would reduce the amount it was seeking for cost recovery by \$1,172.

2.

2001 IRP Planning Expenditures

On March 28, 2002, Applicants filed an accounting of their recorded 2001 IRP planning costs in which HECO reported 2001 IRP expenditures of \$57,592 (\$190,821 less than the \$248,413

amount budgeted, as stated in the application). MECO reported \$210,135 in 2001 IRP expenditures (\$83,570 less than the \$293,705 amount budgeted in the application).

C.

1995 - 1999 IRP Cost Recovery

By Decision and Order No. 23160, filed on December 27, 2006, the commission approved recovery of Applicants' 1995 IRP planning costs. In its decision and order, the commission addressed three general concerns raised by the Consumer Advocate related to: 1) the classification of demand-side management ("DSM") program costs as IRP general planning costs; 2) the treatment of incremental IRP labor costs where positions in the most recent rate case are vacant; and 3) the inconsistent classification of cost items and cost tracking issues. The commission also resolved seventeen (17) specific concerns the Consumer Advocate had with the proposed cost recovery of certain expenditures. The commission, however, deferred the issue of refund pending completion of the remaining four IRP cost recovery dockets that were consolidated in that proceeding (Docket Nos. 95-0362, 96-0431, 97-0358, 98-0339).

Thereafter, by Decision and Order No. 23274, filed on February 23, 2007, the commission approved Applicants' recovery of their 1996 IRP planning costs, and consistent with Decision and Order No. 23160, deferred the issue of refund pending completion of the remaining three IRP cost recovery dockets

(Docket Nos. 96-0431, 97-0358, 98-0339) that were consolidated in this proceeding).

By Decision and Order, filed on October 9, 2008, the commission approved Applicants' 1997, 1998, and 1999 IRP planning costs, and directed Applicants to confer with the Consumer Advocate for the purpose of discussing and reaching consensus on a refund plan that is consistent with the public interest; and to file with the commission a refund plan within sixty (60) days of the date of the decision and order.

## II.

### Discussion

#### A.

### Consolidation

HAR § 6-61-39 provides that the commission, upon its own initiative, may consolidate two or more proceedings that involve related questions of fact or law if it finds that consolidation will be conducive to the proper dispatch of its business and to the ends of justice and will not unduly delay the proceedings.

Upon review of the record, the commission finds that Docket Nos. 99-0338 and 00-0360 involve related questions of fact and law; and that the consolidation of these proceedings will be conducive to the proper dispatch of the commission's business and the ends of justice, and will not unduly delay these proceedings. As such, the commission consolidates Docket Nos. 99-0338 and 00-0360.

B.

2000 and 2001 IRP Cost Recovery

By Decision and Order No. 11523, filed on March 12, 1992, in Docket No. 6617 (as amended by Decision and Order No. 11630, filed on May 22, 1992), the commission established a Framework for Integrated Resource Planning ("IRP Framework") and ordered Applicants to develop IRP plans in accordance with the IRP Framework.

Section II.B.7 of the IRP Framework provides, in relevant part, that utilities are "entitled to recover all appropriate and reasonable integrated resource planning and implementation costs." Section III.F.1 of the IRP Framework provides, in relevant part, that a utility "is entitled to recover its integrated resource planning and implementation costs that are reasonably incurred, including the costs of planning and implementing pilot and full-scale demand-side management programs."

As described by the commission:

Integrated resource planning costs appear to fall into at least two major categories: (1) the costs of planning and (2) the costs of implementing particular options. The costs of planning include those associated with the development of the framework for planning and those associated with the planning process. Included in these costs are the costs of data gathering, development of models, and research and development of options in meeting the demand for energy. The costs of implementing particular options include the costs of particular programs or projects selected to satisfy the demand for energy.

With respect to the first category of costs, we will require HECO to develop an annual budget of the costs it proposes to include in the IRP clause. HECO shall submit this budget to the commission for approval. The utility shall also furnish the commission with an accounting of expenditures and a report on the variance between the budget and actual expenditures before any cost is included in the IRP clause. With respect to the second category of costs, we will require HECO to present its proposed program or project to the commission for prior approval, together with information concerning the expenses expected to be incurred, in much the same manner as it is required to do, under General Order No. 7, rule 2.3.g.2, for proposed capital expenditures in excess of \$500,000.

Although we approve the establishment of an IRP clause, we retain the authority to determine whether any particular cost or expense may be recovered through the clause. The IRP clause may not be the proper mechanism for the recovery of all integrated resource planning costs. Particularly with respect to program or project costs, legitimate questions may be raised as to whether such costs should be recovered through an IRP clause or whether they should be included in HECO's rate base. The commission retains the authority to make that determination on a case-by-case basis.

Decision and Order No. 11317, filed on October 17, 1991, in Docket No. 6531, at 210-11.

1.

2000 IRP Planning Costs

In its Statement of Position, filed on April 4, 2003, the Consumer Advocate recommended that Applicants' request be reduced by \$70,216 for HECO, \$33,942 for HELCO, and \$31,157 for MECO such that Applicants would be allowed to recover 2000 IRP planning costs of \$26,909 for HECO, \$63,225 for HELCO, and \$313,930 for MECO.

According to the Consumer Advocate, it had three general concerns with Applicants' 2000 IRP planning expenditures, which it raised in its statements of position filed in the 1995, 1996, 1997, 1998 and 1999 IRP cost recovery dockets (Docket Nos. 94-0316, 95-0362, 96-0431, 97-0358, 98-0339): 1) that Applicants' 2000 IRP planning expenditures included "non-incremental planning costs," i.e., "costs for activities that are, or should be, performed during the normal course of the utility planning process regardless of the IRP framework requirements"; 2) that Applicants were attempting to recover costs for items or services with corporate applications other than IRP planning; and 3) that DSM-related costs were included in Applicants' 2000 cost recovery request. Attachment I to the Consumer Advocate's Statement of Position contained a chart listing nine cost items that the Consumer Advocate recommended disallowing.

In their response to the Consumer Advocate's statement of position filed on April 24, 2003, Applicants maintained that their 2000 IRP planning costs were reasonable, incremental IRP planning costs for which commission approval is warranted. With regard to the Consumer Advocate's recommended reductions, Applicants agreed to a reduction of \$3,484 for HECO.

As with prior IRP cost recovery dockets (see, e.g., Docket Nos. 94-0316, 95-0362, 96-0431, 97-0358, 98-0339), attached as Exhibit A to Applicants' response is the Consumer Advocate's chart of its nine recommended reductions to Applicants' 2000 IRP planning costs. Utilizing the

Consumer Advocate's chart in Exhibit A, Applicants responded to the Consumer Advocate's nine recommended reductions in Exhibit B to Applicants' response. In doing so, Applicants divided the Consumer Advocate's recommended reductions into four separate categories and provided a brief response to each category of recommended reductions referencing their response to the Consumer Advocate's statement of position on 1996 IRP planning costs in Docket No. 95-0362.

As the commission has since resolved Applicants' entitlement to 1996 IRP planning costs, the commission will treat Applicants' 2000 IRP expenditures consistently. As such, the commission will allow recovery for the Proscreen-related costs in Category One (CA Item Nos. 1 and 3);<sup>1</sup> the costs related to a supply-side resource options study in Category Two (CA Item No. 9);<sup>2</sup> and the sales forecasting expenses in Category Three (CA Item Nos. 2, 4, 5, and 6).<sup>3</sup> As noted above, HECO has withdrawn its request for CA Item Nos. 7 and 8. Accordingly, the commission declines to disallow any of the cost items identified by the Consumer Advocate (except for CA Item Nos. 7 and 8).

---

<sup>1</sup>Decision and Order No. 23274, at 16-18; see also Decision and Order No. 23160, at 29-30.

<sup>2</sup>Decision and Order No. 23274, at 18-19.

<sup>3</sup>Decision and Order No. 23274, at 23; see also Decision and Order No. 23160, at 26-28.

2001 IRP Planning Costs

In its Statement of Position, filed on December 13, 2002, the Consumer Advocate recommended that Applicants' request be reduced by \$44,222 for HECO and \$26,583 for MECO such that Applicants would be allowed to recover 2001 IRP planning costs of \$13,370 for HECO and \$183,552 for MECO. The Consumer Advocate recommended that HELCO not be permitted to collect its recorded 2001 IRP expenditures through its IRP cost recovery provision, as the commission allowed HELCO to recover \$450,000 in incremental IRP planning costs through base rates in Decision and Order No. 18365, filed on February 8, 2001, in Docket No. 99-0207.

As with prior dockets, the Consumer Advocate had three general concerns with Applicants' 2001 IRP planning expenditures: 1) that Applicants' 2001 IRP planning expenditures included "non-incremental planning costs"; 2) that Applicants were attempting to recover costs for items or services with corporate applications other than IRP planning; and 3) that DSM-related costs were included in Applicants' 2001 cost recovery request. Attachment I to the Consumer Advocate's statement of position contained a chart listing fourteen cost items that the Consumer Advocate recommended disallowing.

In their response to the Consumer Advocate's statement of position filed on January 27, 2003, Applicants maintained that HECO and MECO's 2001 IRP planning costs were reasonable, incremental IRP planning costs for which commission approval is

warranted. With regard to the Consumer Advocate's recommended reductions, Applicants agreed to a reduction of \$257 for MECO. In addition, with regard to the Consumer Advocate's assertion that HELCO was not entitled to 2001 IRP cost recovery, Applicants confirmed that HELCO was not seeking recovery of 2001 IRP planning costs through its IRP cost recovery provision.

Attached as Exhibit A to Applicants' response is the Consumer Advocate's chart of its fourteen recommended reductions to Applicants' 2001 IRP planning costs. As with prior dockets, utilizing the Consumer Advocate's chart, Applicants responded to the Consumer Advocate's recommended reductions in Exhibit B to Applicants' response. In doing so, Applicants divided the Consumer Advocate's recommended reductions into three separate categories and provided a brief response to each category of recommended reductions referencing, in part, their response the Consumer Advocate's statement of position on 1996 IRP planning costs in Docket No. 95-0362.

As an initial matter, the commission agrees with Applicants and the Consumer Advocate, that HELCO is not entitled to recovery of 2001 IRP planning costs through its IRP cost recovery provision.

In addition, as noted above, the commission has since resolved Applicants' entitlement to 1996 IRP planning costs in Decision and Order No. 23274, and will treat Applicants 2001 costs consistently with its decision on 1996 IRP costs. As such, the commission will allow recovery for the Strategist-related costs (formerly Proscreen) in Category One (CA Item Nos. 1, 2,

and 4);<sup>4</sup> and the costs related to sales forecasting expenses in Category Two (CA Item Nos. 3, 5, 6, 7, 8, 9, 10, 13, and 14).<sup>5</sup>

With respect to HECO's third category, "Other Expenses," the commission will allow recovery for all items (CA Item Nos. 11 and 12) related to airfare for attendance at two IRP task force meetings.

Accordingly, the commission declines to disallow any of the cost items identified by the Consumer Advocate.

### III.

#### Orders

##### THE COMMISSION ORDERS:

1. Docket Nos. 99-0338 and 00-0360 are consolidated.
2. Applicants are allowed to recover their 2000 and 2001 IRP planning costs to the extent described herein.
3. If any refund is necessary, Applicants shall incorporate such refund into the proposed refund plan that Applicants were directed to prepare in Docket Nos. 94-0316, 95-0362, 96-0431 97-0358, 98-0339 (Consolidated).<sup>6</sup>
4. This docket is closed unless otherwise ordered by the commission.

---

<sup>4</sup>Decision and Order No. 23274, at 16-18; see also Decision and Order No. 23160, at 29-30.

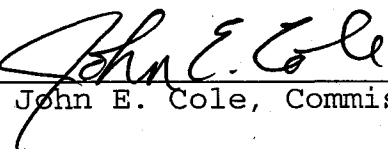
<sup>5</sup>Decision and Order No. 23274, at 23; see also Decision and Order No. 23160, at 26-28.


<sup>6</sup>Decision and Order filed on October 9, 2008, in Docket Nos. 94-0316, 95-0362, 96-0431 97-0358, 98-0339 (Consolidated)

DONE at Honolulu, Hawaii OCT 17 2008.


PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By:   
Carlito P. Caliboso, Chairman

By:   
John E. Cole, Commissioner

By:   
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:

  
Stacey Kawasaki Djou  
Commission Counsel

99-0338, 00-0360 (Consolidated).cp

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

CATHERINE P. AWAKUNI  
EXECUTIVE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P. O. Box 541  
Honolulu, HI 96809

DARCY L. ENDO  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. Box 2750  
Honolulu, HI 96840-0001

WARREN H.W. LEE, PRESIDENT  
HAWAII ELECTRIC LIGHT COMPANY, INC.  
1200 Kilauea Avenue  
Hilo, HI 96720-4295

EDWARD REINHARDT, PRESIDENT  
MAUI ELECTRIC COMPANY, LIMITED  
P.O. Box 398  
Kahului, HI 96733-6898

THOMAS W. WILLIAMS, JR. ESQ.  
GOODSILL ANDERSON QUINN & STIFEL  
1099 Alakea Street, Suite 1800  
Honolulu, HI 96813

Attorney for Applicants